MANITOBA

ANNUAL REPORT

1982-83

The Manitoba
Beef Commission

84- 3359 /

The Manitoba Beef Commission

ANNUAL REPORT 1982 - 83

MANITOBA BEEF COMMISSION
1135-444 St. Mary Ave. Winnipeg, Manitoba R3C 3T1
Phone: (204) 944-4161

The Honourable Bill Uruski
Minister of Agriculture

Sir:

I have the honour of presenting herewith the 1st annual report of the Manitoba Beef Commission for the seven month period ending March 31st, 1983, accompanied by the audited financial report for the same period.

Respectfully submitted,

Rudy Usick

Rudy Usick
Chairman
Manitoba Beef Commission

The Manitoba Beef Commission
Board of Directors

Back Row Left to Right

Clare Geddes	*Jim Chegwin*	*Dennis Trinder*	*George Geisel*
2nd Vice-Chairman	*Director*	*Director*	*Director*
Pilot Mound	*Swan River*	*Russell*	*Ochre River*

Front Row Left to Right

Virginia Mariash	*Rudy Usick*	*John Johnson*
Director	*Chairman*	*Vice-Chairman*
Beausejour	*Erickson*	*Vogar*

Background

On April 1, 1982 the Honourable Bill Uruski, Minister of Agriculture, announced funding for a major beef stabilization and marketing plan in Manitoba. Included in the announcement was a commitment for dialogue with the province's beef producers in an effort to develop a support plan that would serve them and their industry.

For five months, during the spring and summer of 1982, a 23 person Advisory Committee carried out a thorough industry survey. The Committee was divided into five regional committees who held public meetings, regional committee meetings and provincial group meetings. Major points determined by the Committee were:

(1) Unfinished, as well as slaughter animals, must be considered for stabilization.

(2) Any plan should be an on-going rather than a term concept.

Objectives

1. To enhance the economic viability of the beef producers in Manitoba through the strengthening, expansion, and unification of the total beef industry within the Province.

2. To develop and administer a stabilization insurance fund that provides economic stability and confidence to the primary beef producer allowing for long term planning.

3. To develop and administer an orderly marketing system that strengthens the producer's position and provides greater efficiencies in the price determination and procurement process.

4. To assist and encourage the retention, growing, finishing, and processing of a greater number of Manitoba produced calves in Manitoba through financial and technical assistance.

The Concept

The principles involved:

(1) an on-going plan, with provision to opt out or join at any time.

(2) stabilization on three classifications: calves, feeders, and slaughter.

(3) three levels of support to choose from in each classification.

(4) jointly funded by the Province and producers, with provision to blend into a federal plan.

(5) Producer premiums collected at time of sale.

(6) Slaughter animals to be marketed through the central desk concept and prices received by producers settled on a "pooled" basis.

(7) prompt payment of deficiencies.

(8) administration by a Beef Commission operating independently outside the Manitoba Department of Agriculture, but in close cooperation with Manitoba Department of Agriculture support services.

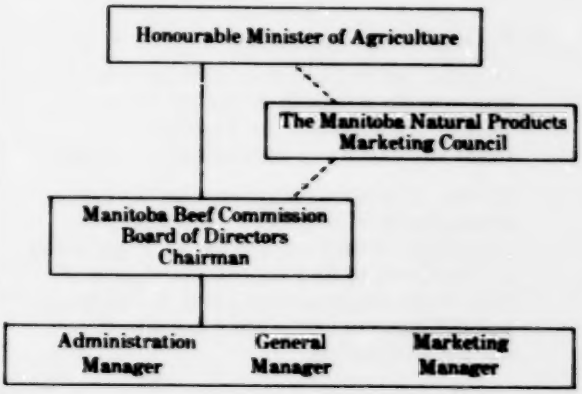
(9) additional financial aid plans, such as cash advances, feeding loans, or facility improvement loans, to complement and aid the industry.

(10) a support level that is sensitive to and reflects changes in production costs.

The Commission

In September of 1982, the Manitoba Beef Commission was created by Regulation 217/82 under The Natural Products Marketing Act.

A seven member, all producer, board of directors was appointed to develop, implement, and administer the proposed stabilization and marketing plan. The activities of the board and Commission fall under the Manitoba Natural Products Marketing Council.



Producer Contracts

On October 29, 1982 contracts for sign up to the program were available to producers. Distribution was through the Department of Agriculture offices, Manitoba Agricultural Credit Corporation field offices, and the Commission's head office.

All contract/applications signed by producers prior to December 31, 1982 were eligible for retroactive stabilization payments on marketings that took place after September 1, 1982.

All contract/applications signed by January 21, 1983 were eligible for the Productivity Enhancement Grant. (Early in January contract/applications exceeded the $13 million budgeted for the Productivity Enhancement Grant).

At March 31, 1983 the Commission had received 4,822 contract applications registering 255,768 head of beef cows and 3,708 head of dairy cows. Average herd size was 53.8 head with the total beef cows representing 73.4% of the January 1 1983 provincial beef cow inventory.

Financial

(1) Productivity Enhancement Grant

The amount of the initial grant was determined by the number of commercial or purebred cows owned on the following basis:

$60.00 per cow on the first 40
$50.00 per cow on the second 40
$40.00 per cow on the third 40

to a maximum of $6,000.00 per contract.

The purpose of the grant was to make lasting improvements to the individual's beef operation.

In total, $13.7 million in grants was approved with $13.5 million paid in cash and the balance held for future use at the discretion of the Producer.

(2) Retroactive Stabilization

In order not to disrupt marketing patterns and provide a benefit to the primary producers, the stabilization benefits were made retroactive to September 1st, 1982.

During this period stabilization payments amounted to $7.9 million with producer premiums of $2.8 million for a net payment to Producers of $5.1 million consisting of Provincial premiums and loan to the fund. 103,000 head of cattle were marketed during this period.

(3) On-going Stabilization

At March 1, 1983 the Commission began marketing all contract slaughter animals and processing all contract unfinished calf and feeder marketings. During March this involved 2,478 head of slaughter animals and 7,463 head of calves and feeders.

Stabilization payments amounted to $416,153. with producer premiums contributing $346,339. for a net payment of $69,814. for March of 1983.

(4) Administration Costs

The Province provides a grant for the net operating cost of the Commission; a detailed summary follows this report.

(5) Other Financial Aid

By way of the Manitoba Agricultural Credit Corporation the Province has committed funds to provide contract holders with cash advances, custom feeding loans, facility improvement loans, and aid in establishing cooperative feedlots. As of March 31, 1983, 65 loans had been made with a value of $1,128,800.

The Commission accepts producer assignments to repay loans from proceeds when animals are marketed.

Operating Details

Slaughter cattle are pooled on a weekly basis by sex, grade, and weight classsification. The pooled price determines the settlement price to the producer with the A1 and A2 pooled steer price determining the amount of stabilization to be paid. Any stabilization to be paid on slaughter cattle is included in the producer settlement cheque. Normal turn around time for the producer to receive a settlement is 2 to 3 weeks depending upon the time the cattle are marketed within the "pool" week.

Unfinished cattle may be marketed at a place and method of the producer's choice providing:

(a) the settlement cheque is made out in the name of the Commission and routed through the Commission; and

(b) the settlement statement clearly indicates the price and total value supported by bonafide weigh slips from a recognized livestock scale.

The Commission pays the producer a settlement on the basis of selling price less producer premiums. The normal turn around time is four days at the Commission's office. In addition stabilization payments are made in the month following the month of sale after the monthly average price has determined the rate of stabilization.

The support level initially set for the three classifications of stabilized animals was relative to the twelve cost of production indicators listed in the contract and the prevailing market prices. Built into the Plan is a provision for the support level to be reviewed twice yearly (January 1st and July 1st).

In keeping with this formula the support level decreased 1.19% on January 1, 1983, due primarily to lower interest and grain prices.

The Plan calls for Producer and Provincial premiums to actuarily cover the stabilization fund over the long term. Producer premiums may be adjusted as required.

The amount of stabilization to be paid is determined as follows:

For slaughter animals — difference between the weekly "pool" price for A1 and A2 steers in the standard weight category and the support level.

For feeders — difference between monthly average price for large frame lean feeder steers over 600 lbs. and the support level.

For calves — difference between average price for good stock steer calves in the 400-600 lb. weight range and the support level.

PROVINCE OF MANITOBA
PROVINCIAL AUDITOR

The Manitoba Beef Commission

Report of The Provincial Auditor's Office

We have examined the financial statements, being Exhibits A, B, C, D and E, of The Manitoba Beef Commission for the period ending March 31, 1983. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of The Manitoba Beef Commission as at March 31, 1983 and the results of its operations for the period then ended in accordance with the accounting principles stated in note 2 to the financial statements.

W.K. Ziprick, C.A.,
Provincial Auditor.

November 15, 1983.
Winnipeg, Manitoba.

THE MANITOBA BEEF COMMISSION

BALANCE SHEET
AS AT MARCH 31, 1983

EXHIBIT A

ASSETS		LIABILITIES	
PRODUCER FUND			
Funds on Deposit with the Minister of Finance	$ 452,181	Accounts Payable to:	
Accounts Receivable from Packers and Auction Marts	890,316	Administration Fund	$ 2,805
Receivable from Stabilization Fund	189,920	Stabilization Fund	75,690
		Producers	1,446,589
		Other	7,333
	1,532,417		1,532,417
STABILIZATION FUND			
Funds on Deposit with the Minister of Finance	270,649	Accounts Payable to:	
Premiums Receivable from:		Producers — Retroactive Marketing	937,477
Province of Manitoba	344,939	Producer Fund	189,920
Producers	414,620	Advance from the Province of Manitoba (Note 3)	3,999,856
Receivable from Producer Fund	75,690		5,127,253
Advance Receivable from the Province of Manitoba	461,828	Excess of Stabilizaiton Payments over Revenues, Exhibit C	(3,559,527)
	1,567,726		1,567,726
PRODUCTIVITY ENHANCEMENT GRANT FUND			
Accounts Receivable from Province of Manitoba	154,850	Productivity Enhancement Grants Payable	154,850
ADMINISTRATION FUND			
Funds on Deposit with the Minister of Finance	(6,995)	Accounts Payable and Accrued Charges	18,786
Accounts Receivable from:			
Producers	10,529		
Producer Fund	2,805	Funds Retained for Working Capital and	
Inventory — Ear Tags, Insertion Tools	28,820	Future Operations, Exhibit E	16,373
	35,159		35,159
	$3,290,152		$3,290,152

The Manitoba Beef Commission

Producer Fund
Statement of Pool Operations
for the month of March 1983

	Finished Cattle	Unfinished Cattle	Total
Revenue:			
Proceeds on Sale of Cattle	$2,099,296	3,799,800	$5,899,096
Packer and Insurance Claims	1,968	—	1,968
Total Revenue	$2,101,264	3,799,800	$5,901,064
Distribution:			
Assessments:			
Producer Premiums, Exhibit C	$ 105,705	240,605	$ 346,310
Marketing Fees, Exhibit E	10,669	—	10,669
	116,374	240,605	356,979
Deductions and Direct Charges:			
Assembly Fees, etc.	4,663	—	4,663
Freight	967	—	967
Insurance	185	—	185
Manitoba Cattle Producers Association dues	30	408	438
Net Pool Adjustments to Administration Fund, Exhibit E	261	54	315
	6,106	462	6,568
Producer Settlement Payments	1,978,784	3,558,733	5,537,517
Total Distribution	$2,101,264	3,799,800	$5,901,064

EXHIBIT C

The Manitoba Beef Commission

Stabilization Fund
Statement of Revenue and Expenditure
for the seven months ending March 31, 1983

Revenue:	
Producer Premiums:	
Retroactive Marketings	$2,816,344
Producer Fund, Exhibit B	346,310
Direct from Producer	29
	3,162,683
Provincial Premiums	1,624,442
Total Revenue	4,787,125
Stabilization Payments:	
Retroactive Deficiency	7,930,499
Pool Deficiency	416,153
Total Stabilization Payments	8,346,652
Excess of Stabilization Payments over Revenue, Exhibit A	$3,559,527

EXHIBIT D

The Manitoba Beef Commission

Productivity Enhancement Grant Fund
Statement of Revenue and Expenditure
for the seven months ending March 31, 1983

Revenue:	
Grant from the Province of Manitoba	$13,722,220
Expenditure	
Productivity Enhancement Grants	13,722,220
	$ Nil

EXHIBIT E

The Manitoba Beef Commission

Administration Fund
Statement of Revenue and Expenditure
for the seven months ending March 31, 1983

Revenue	
Grant — Province of Manitoba	$265,000
Interest	3,042
Marketing Fee, Exhibit B	10,669
Miscellaneous	750
Net Pool Adjustments from Producer Fund, Exhibit B	315
Total Revenue	279,776
Expenditure	
Salaries and Employee Benefits	116,463
Administration — Travel	4,321
Advertising and Promotion	11,638
Audit and Legal	5,000
Directors' Fees and Expenses	33,991
Computer Services and Equipment	30,011
Delivery	559
Dues and Subscriptions	281
Furniture and Fixtures	16,854
Hall Rentals	875
Health and Post Secondary Education Tax Levy	1,779
Inspections	9,997
Miscellaneous	1,236
Postage and Telephone	1,668
Printing and Stationery	28,481
Repairs and Maintenance	249
Total Expenditure	263,403
Excess of Revenue over Expenditure	16,373
Funds Retained for Working Capital and Funds Operations, at September 1, 1982	—
Funds Retained for Working Capital and Future Operations, at end of year, Exhibit A	$16,373

The Manitoba Beef Commission

Notes to Financial Statements for the seven months ending March 31, 1983

1. Status of the Commission

The Manitoba Beef Commission was established September 1, 1982, by regulation under The Natural Products Marketing Act, to administer regulations respecting the marketing of beef.

The Commission has administrative responsibility for the following:

a) The Manitoba Beef Marketing Plan was established September 1, 1982 by regulation under The Natural Products Marketing Act. The purpose of this plan is to provide for the effective control, regulation and promotion, in all respects, by the Commission of the marketing of beef.

b) The Manitoba Beef Stabilization Plan was established September 1, 1982 by regulation under The Farm Income Assurance Plans Act. The purpose of this plan is to improve the income stability of participating beef producers by establishing support prices for the sale of certain beef animals based on a schedule of input costs. There was also support for a limited period through payment of a special Productivity Enhancement Grant to producers joining the Plan. In accordance with the regulations, separate funds were established for these operations.

The Producer Fund was established on March 1, 1983 to account for the sales of finished and unfinished cattle on a pool basis under the Manitoba Beef Marketing Plan.

The Stabilization Fund was established effective September 1, 1982 for operation of the Manitoba Beef Stabilization Plan. It accounts for the collection of premiums from producers enrolled in the Manitoba Beef Marketing Plan, and from the Province and the stabilization payments to producers.

The Productivity Enhancement Grant Fund was established to account for payment of a Productivity Enhancement Grant to each producer joining the Manitoba Beef Marketing Plan up to January 21, 1983, the date that all available funds were committed.

The Administration Fund was established to account for the Commission's administrative and marketing operations.

2. Significant accounting policies

a) The financial statements have been prepared on an accrual basis of accounting except for capital acquisitions which are being charged to operations at cost in the year acquired.

b) The Commission operates separate funds in accordance with the requirements of the regulations.

c) The Province of Manitoba provides office space, miscellaneous administrative services, and absorbs interest charges on the advance to the Commission. These expenses are not reflected in the financial statements.

General Comments

3. The Province of Manitoba authorized an interest free, repayable advance to the Commission of up to $4,000,000 for the purpose of subsidizing the Stabilization Fund when premiums are not sufficient to pay producers stabilization payments under the Manitoba Beef Stabilization Plan. As at March 31, 1983, the actual advance received by the Commission amounted to $3,999,856.

4. Under the terms of an agreement between the Commission and the Minister of Agriculture, the premiums shall only be paid by the Province into the Stabilization Fund when the Fund's balance is insufficient to meet stabilization payments to producers.

5. Producers who joined the Manitoba Beef Marketing Plan prior to December 31, 1982 were eligible for retroactive deficiency payments on all animals marketed on or after September 1, 1982 up to the inception of the pool operations under the Producer Fund. Producers who joined the plan after December 31, 1982 were eligible for retroactive deficiency payments only on animals marketed after the date of contract acceptance by the Commission up to the inception of the pool operations.

6. A producer may terminate his contract with the Commission under the Plan at any time. Individual accounts are maintained for each producer with their premiums and stabilization deficiency payments recorded therein. Depending on the account balance, termination by a Producer before eight full years could result in a partial return of premiums paid or a partial recovery of stabilization deficiency payments.

7. The Province provided a conditional grant to the Commission amounting to $13,722,220 at March 31, 1983 for the payment of Productivity Enhancement Grants to producers. The Productivity Enhancement Grant is not fully earned by the producer until after four complete years of participation. Any recoveries from producers terminating their contracts are payable to the Province.